

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

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**In the Matter of**

**Developing A Unified Inter-carrier  
Compensation Regime**

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**CC Docket No. 01-92**

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**Comments of the Iowa Utilities Board**

The Iowa Utilities Board (Iowa) submits these comments in response to the Notice of Proposed Rulemaking (NPRM) released in this docket by the Federal Communications Commission (FCC) on April 27, 2001. The NPRM addresses numerous issues related to the development of a Unified Inter-carrier Compensation Regime.

The NPRM seeks comments on the following issues related to the development of the Unified Inter-carrier Compensation Regime: (a) Appropriate goals for Inter-carrier compensation rules in competitive markets; (b) Bill and Keep arrangements; (c) Reforming the existing Calling-Party's-Network-Pays (CPNP) Regime; and (d) Other Issues.

Iowa has used Bill and Keep arrangements in all of its wireline-to-wireline interconnection agreements for several years and has found the arrangement very satisfactory. Based on this experience, Iowa would urge the FCC to adopt Bill and Keep as the standard for all wireline-to-wireline local interconnection agreements. There may be some situations, however, in which Bill and Keep would be inappropriate, so the FCC should preserve the possibility of other arrangements whenever Bill and Keep would produce results that may not be in the public interest.

As for other interconnection agreements, Iowa's experience indicates that the circumstances and relevant considerations may vary greatly from one transaction to another, such that a blanket rule in favor of Bill and Keep (or any other single intercarrier compensation mechanism) may not be appropriate. If the FCC adopts Bill and Keep for wireline-to-wireline local interconnection agreements, Iowa encourages the FCC to initiate a separate rule making to focus strictly on the question of applying the same requirement to other interconnection arrangements, especially access charges and wireline-to-wireless.

## **Discussion of Issues**

### **1. Bill and Keep Arrangements**

Iowa supports the Bill and Keep regime for wireline-to-wireline local exchange traffic. Iowa's rules establish a presumption in favor of Bill and Keep, see 199 IAC 38.6(1) (2001), which states:

38.6(1) *Mutual exchange of traffic.* Until the board approves monetary compensation and until tariffs for the compensation are in effect, each local utility shall terminate local and extended area service calls on a mutual exchange of traffic basis, at no charge to the originating provider. As an alternative, a local utility may elect the negotiation, mediation, and arbitration procedures available under 47 U.S.C. Section 252, by notifying the other affected local utility and the board in writing.

This rule has been in place since 1996 and has been applied to every wireline interconnection agreement arbitrated or approved by Iowa. The parties to all of these agreements appear to be satisfied with the arrangement. However, Bill and Keep works best if the traffic between the two carriers is reasonably well balanced. If the traffic is not roughly equal in both directions, the rule allows the parties to prove the imbalance of the traffic and request that the mutual exchange of traffic be replaced with some form of cost-based reciprocal compensation:

38.6(2) *Requests to end mutual exchange of traffic.* A facilities-based local utility may file a cost-based tariff for monetary compensation for terminating local access service, provided its filing includes a showing that in six consecutive

calendar months of mutual traffic exchange between it and another facilities-based local utility the total terminating to originating traffic for the entire six-month period was unbalanced by a ratio of at least 55 percent terminating to 45 percent originating. The tariff filing must include appropriate cost support information. The terms and conditions listed in the tariff shall be applicable to all local utilities operating within the local utility's service territory or within a service territory with extended area service to the local utility's service territory. On the date the tariff becomes effective, compensation on a mutual exchange basis will end.

Iowa has approximately 58 CLECs operating in the state and to date no companies have invoked the imbalance rule. From this, Iowa concludes that Bill and Keep is an acceptable mechanism for exchange of local voice traffic and has not been a barrier or disincentive to competitive entry. The one exception to this rule is internet traffic. In Docket ARB-00-1, the Board ordered that this rule applies to voice traffic only and that all internet traffic will always be treated as Bill and Keep. One might expect that this Bill and Keep regime could hinder the growth of the internet traffic but 100% of Iowa's exchanges have local dial-up internet access. This proves that Bill and Keep does not hinder the growth of the internet.

However, access charges appear to be different. The existing system is based on the assumption that IXCs should pay something for use of the local network to complete interexchange calls. Changing this system could mean the loss of significant revenues for many LECs, especially rural LECs. The result would be upward pressure on local rates and a need for greatly increased universal service support to maintain the comparability of urban and rural rates. Iowa believes that if the FCC is seriously considering implementing Bill and Keep for traffic between LECs and IXCs, there is a need for a separate NPRM focused solely on access charges. Moreover, because of the potential impact on universal service funding, any such proposal should be referred to the Federal-State Joint Board on Universal Service for consideration.

## **2. LEC-CMRS Intercarrier compensation**

Wireless telecommunications services are deregulated in Iowa, see “Order Terminating Investigation,” issued August 7, 1986, in Re: Mobile Telephone Service And Paging Service, IUB Docket No. INU-86-2, so the IUB has not been directly involved in LEC-CMRS intercarrier compensation matters until recently. The IUB believes that, as a general principle, the matter should be left to negotiations between the parties. However, the IUB is in the midst of a docket in which a number of LECs are arguing over CMRS access to a centralized equal access network, indicating that even if negotiations are preferred, a regulatory dispute resolution mechanism continues to be a requirement. Currently, in Docket SPU-00-7 the IUB has before it a dispute between Qwest and Iowa Network Services (INS) and its 150 Participating Telephone Companies (PTCs) concerning Qwest’s role in transiting CMRS traffic to INS’s Centralized Equal Access network and on to the PTC’s. INS and the PTC’s have been attempting to bill Qwest access and termination fees on CMRS traffic that Qwest delivers to INS, bound for the PTC’s. The CMRS traffic is mostly intra-MTA in nature. Qwest points to the FCC’s First Report and Order arguing that the traffic is local, access does not apply and the traffic is not Qwest’s traffic but CMRS traffic. INS and the PTC’s argue a number of points including the type of trunk the traffic is delivered on, lack of interconnection agreements with the CMRS carriers, implied contract with Qwest and number the of carriers allowed in the definition of a local call. This docket is still in proceedings and a final decision order is expected in September. Access to a copy of the order can be found on the Boards web site when the order becomes available. The Board’s web site address is [www.iub.state.ia.us](http://www.iub.state.ia.us).

### **3. Jurisdictional responsibility**

It is essential that the FCC recognize and preserve existing state authority over intrastate traffic. If the FCC engages in broad reform of interstate compensation, it should take whatever steps are necessary to preserve each states authority to use whatever intrastate, inter-carrier compensation mechanisms are most appropriate for local circumstances.

### **Conclusion**

The Iowa Utilities Board respectfully submits these comments for the FCC's consideration in developing a Unified Inter-carrier Compensation Regime.

Respectfully submitted,

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